

## **MINUTES**

### **MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION**

**Call to Order:** By **SEN. JOHN C. BOHLINGER**, on March 15, 2001 at 11:30 A.M., in Room 405 Capitol.

#### **ROLL CALL**

**Members Present:**

Sen. John C. Bohlinger (R), Chairman (R)  
Sen. Mack Cole (R)  
Sen. Dan Harrington (D)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Lee Heiman, Legislative Fiscal Staff  
Deb Thompson, Committee Secretary

**Please Note:** These are summary notes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: Subcommittee on SB 439-2nd  
Meeting, 3/14/2001  
Executive Action: None

#### **SUBCOMMITTEE ON SB 439**

**Percentages used for distribution:** Senator Bohlinger called the meeting together. He referred to the handout prepared by Lee Heiman which diagramed the Proposed and Current Distribution Amounts in SB 439, as Percentages. He noted this helped answer concerns of the opponents regarding a stated dollar amount. It would also eliminate the Legislature from having to recalculate the dollar amounts each time. If the car rental tax was adopted, a similar calculation would be done to add money to entities receiving the tax dollars.

Lee Heiman said some adjustments may be necessary. After looking at the different percentages of the proposed \$25 million in taxes collected, there is leeway to change the percentage if the subcommittee wanted to.

Senator Grosfield clarified that further down in the text of the bill the figure used was \$27.5 million. He also noted possible errors in the fiscal note which listed the Lewis and Clark Bicentennial at zero. The date should be 2001, and not 2002 as listed in the bill. He suggested these errors be fixed.

Senator Bohlinger clarified the number Lee Heiman was using in the projected chart was the \$25 million. The balance would go to the general fund or if the subcommittee preferred, K-12. If the \$27.5 million dollar projection figure was used, the additional funds could be added to the Department of Commerce, \$7 million as listed in the current fiscal note. Mr. Cohn said he could work with Lee to work out accurate numbers.

**Concerns addressed:** Senator Bohlinger addressed concerns outlined by Mr. Cohn in his letter of 3/13. He asked Mr. Cohn to describe the problems. Mr. Cohn pointed out potential conflicts. One problem would be identifying a taxpayer from a consumer. A Department of Revenue form would be required to receive a rebate. It may create a problem that was not anticipated, such as how to identify an out of state taxpayer. Mr. Cohn noted the money applied to research projects in this bill would not allow the university flexibility for more funding. If changes were made, they would have to make them legislatively. He also noted the University Travel Research Program was currently receiving funds from the bed tax. Research funding must be addressed as there are a lot of administrative expenses. He suggested a tremendous increase in research dollars may not be needed.

Senator Grosfield noted the possibility of eliminating two salaried positions. Since this was part of the University budget it would be important to leave these unaffected. He felt more research dollars could always be used, for example the Lewis and Clark Bicentennial may attract more visitors than expected. As far as the statutory appropriation is concerned, this plus the regional tourism councils maintain their statutory authority the way the bill is drafted. He would like to keep this as a statutory appropriation. He said it may have been suggested that researched be junked, but that is not wanted. The research function needs some academic freedom. He pointed out that if the statutory portion was eliminated, this would kill the bill. We want to see the programs continue. Senator Harrington agreed that the research should be continued, regardless.

Mr. Cohn noted concerns about funding local government since there was no clear understanding of how the money was distributed. He suggested this could be a rule making authority. Anna Marie, from the Commerce Department, spoke up that rule making would work, however on page 5, line 28 it says "shall be distributed to local government" yet there is no proportional way to do that. She asked if this included resort areas. The dollar thresholds before the rebates, for example, are not specific. Mr. Cohn commented that they were happy to do it but it was unclear under whose authority.

Senator Bohlinger said in the past he suggested a 6% bed tax with a return to local government to spend any way they wanted. Senator Grosfield agreed this needed fixing. He said if the money was distributed proportionally, the dollar amount could be minimal - like a check for \$8. Rural Montana may not get much. Instead a minimum could be established such as \$1,000. He was not sure about proportions to each county as there may be 4-5 towns per county.

Senator Cole suggested using the current tourist infrastructure. Even small towns and outlying districts are affected by an influx of tourists. If a county had a big need, they could request grants or funding. Some of this money could be set aside for these requests. Senator Harrington agreed and suggested making a grant program out of it.

Mr. Cohn noted that grant proposals equal administrative costs. Senator Cole said it was important for this money to go back to tourism.

**Fixed Dollar Amount to Counties:** Senator Bohlinger said there was a need to provide for counties who see tourists. It is important to return a fixed dollar amount to each county, like \$2,000, rather than a grant program. Then if there is a greater demand on services there will be money that could be counted on to solve problems.

Mr. Heiman said this amount could be determined by a percentage, like 10% of the amount distributed from the bed tax to the counties. For example, if \$2 million was distributed to local governments as proposed, it would be \$4 thousand dollars per county. The rest could be distributed proportionally, based on collections.

Senator Grosfield pointed out the specific local government needs were mentioned in different places in the bill. Senator Cole pointed out grants were for special needs and applicants could go through other sources.

Senator Bohlinger clarified if the proposed \$2 million was collected and the 10% distributed equally, it would amount to \$3,571. Mr. Cohn commented that this would make the distribution issue clear. Any excess would go to the General Fund by using a percentage. Current laws says if the money is not used it would flow back to the general fund. However, this does not happen as the funds are usually needed.

**Input solicited from local governing bodies:** Mr. Cohn discussed the approval of marketing plans with local government consent, as outlined in his letter. An example would be the approval of a marketing need in an affected location, such as the sheep drive in Columbus, which would also affect visitors to Billings. Should their local governments be involved? The way the bill is written they would. Senator Grosfield suggested the word “concurrence” would conflict with the intent. The words “solicit input from local government” would be a better choice. Input and consultation are different than concurrence. He noted that competitive regions often fight with local governments. This is regional money and a conflict with local government is not needed. He suggested the tourism councils include a local government member on the makeup of their boards.

Mr. Cohn pointed out that each tourism region have their own boards and bylaws. Each region must have a member from each county in their region. Senator Grosfield pointed out that Yellowstone County has more of a voice, however their county commissioners are required on many boards and they feel overextended. Senator Cole said there was a need for more participation from smaller counties.

Senator Grosfield said the amendment could say the council shall approve reasonable plans . Mr. Cohn asked what would happen if the plans were submitted to local government but no response was made. Would all local bodies in the region need to respond? Senator Bohlinger pointed out if the local governments were asked for input and they did not respond, it would not be a problem.

**Effective Date July 1:** Senator Cole questioned the effective date. There is a situation where a number of people have based their travel plans on the reservations and the tax rate that was quoted to them. This would create ill will and problems if the date were July 1. Senator Grosfield pointed out if the date were changed to October it would affect the fiscal note. July is the busy time for tourists and a switch in the summer would be a burden to those collecting the tax. Senator Harrington said he understood the industry's difficulty with the July 1 date, but the fiscal impact is large. Senator Bohlinger said when the reservations are booked they are quoted a price, including the tax. However, a similar situation would be the traveler's expectation to pay \$1.34 for gas and find the price to be \$1.50. They still pay it. He suggested a possible rebate for those with prior reservations.

Mr. Cohn noted there were contracts signed with travel groups, such as tour bus groups. Senator Harrington asked if there was a "price subject to change" note on the contracts. Mr. Cohn replied that each property has their own way of promoting their businesses. Senator Grosfield asked to see if this was a contract issue. If so, the innkeeper would have to pay the extra tax. He suggested a possible amendment to cover administrative costs or perhaps a rebate to the innkeeper.

The subcommittee will meet again on March 16 at 11:30. Senator Bohlinger requested Mr. Doggett prepare to share his knowledge regarding contract language for the next meeting.

**ADJOURNMENT**

Adjournment: 12:39 P.M.

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SEN. JOHN BOHLINGER, Chairman

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DEB THOMPSON, Secretary

JB/DT

**EXHIBIT (tas59bad)**